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on

Financing of Higher Education

Policy Brief 4

Changing Dynamics of Resource Allocation to Higher Education Institutions in India

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Resource Mobilisation Strategies by Higher Education Institutions in India

Centre for Policy Research in Higher Education

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Changing Dynamics of Resource Allocation to Higher Education Institutions in India

Introduction

The competing demand for public funds under the regime of neo-liberalism has compelled the public exchequer to reprioritise the public expenditure with an emphasis on social sectors such as health and education. And within education sector, the school education has received greater priority for allocation of limited public resources to fulfil the EFA goals and because of its significance for higher social returns. However, India has become one of the fastest expanding higher education sectors and second largest higher education system in the world with the growing social demand for higher education.

This expansion of the higher education sector is driven by the expansion of private higher education institutions and enrolments therein. The public financing of higher education sector has not been commensurate with its massive expansion. While overall education got a share of 4.39 per cent to total GDP of the country in 2019-20, the share of technical education is 0.95 per cent and that of university and higher education is 0.52 per cent (MoE, 2022).

Within higher education, there is an imbalance in resource allocation between the centre and the states. While a larger share (more than 90 per cent approx.) of the central government's resources for higher education is absorbed by the central level higher education institutions, particularly technical institutions, the state level higher education institutions catering to more than 90 per cent of enrolments in the country starve for funds as the focus of resource allocation at states is for school education. The resource allocated to the public higher education institutions at state level has thus remained inadequate over the years with the rapid expansion in enrolments in state level HEIs. The contribution by the welfare departments in states like Andhra Pradesh, Telangana, Tamil Nadu, etc., towards increasing demand for technical courses (offered by private sector) for backward classes through Fee Reimbursement Schemes (FRS) has raised the financial burden of the state exchequer in allocating funds for public higher education institutions (Reddy & Reddy, 2019). With such inadequate government funding, the institutions focus on reprioritisation of their expenses under recurring or salary head or project head and non-recurring or developmental head. They resort to resource mobilisation strategies as well to recover the gap in resource requirements by undertaking measures such as cost-saving or cost-cutting measures, cost sharing measures and income generating activities. This policy brief underpins the changing dynamics of resource allocation to public higher education institutions in India and intervention strategies for a targeted approach for resource allocation to those institutions facing extreme challenges in order to meet the growing financial requirements for the functioning of the institution.

Resource Allocation: Criteria and Process

Allocation of fund at different levels of higher education such as centre, state and institution levels do not follow any specific criteria. Budgetary allocation is made under three heads: (a) salary head which includes salary of permanent teaching and non-teaching staff, (b) non-salary or project head which includes pensions, equipment, repair and maintenance and salaries of the contractual or temporary teaching and non-teaching staffs and (c) capital head where minor fund allocation is made for purchase of books and journals, e-resources, campus development, labs and small equipment etc.

Centre - State Allocation of Resources

The available fiscal resources as well as inter-sectoral competing demands for public funds basically determine expansion of public higher education sector.

The central level higher education institutions receive direct grants from the University Grants Commission (UGC) or the Ministry of Education for their recurring expenses (under salary and non-salary heads) and non-recurring expenses (under the head called capital assets, that includes funding for books, journals and e-resources, labs, purchase of small equipment, campus development, etc.). Major development funding for infrastructure or building (e.g. new infrastructure, R&D facilities or renovating existing infrastructure, other capital expenditure) by the central level institutions is done through HEFA loan though with limited coverage and outcomes for diverse higher education institutions. State level universities and colleges under Section 12 (b) and 2 (f) of the UGC Act received limited funding from UGC (research & development grants only) till the end of the 12th plan period. Other funding agencies such as AICTE, MCI, BCI, INC, CoA, ICAR, DST, DBT, DRDO etc., funding for technical and professional courses, allocate funds keeping into consideration the relevance of research and innovation and quality of the institution. Barring the central level HEIs, these are not fulfilled by many state level higher education institutions. Hence, such institutions are unable to receive funding from many funding bodies. There is even an imbalance in fund allocation by multiple funding agencies as some elite institutions receive funds from multiple funding agencies for the same research & innovation activities while other institutions end up with limited or no funds.

The central government funding, linked with academic, administrative and financial reforms of the state higher education for focussed and targeted funding of state HEIs (shared between the centre and states) for development purposes under Rashtriya Ucchatar Siksha Abhiyan (RUSA) is channelised through the state higher education departments and state higher education councils (SHECs), wherever they are fully functional. The impact of RUSA funding is limited to selective state HEIs those are accredited with NAAC and fulfilling other well-defined norms and parameters. The amount of funding keeps varying according to the NAAC scores. Allocation is a line-item based process and funds are allocated under three heads with specific shares such as; for new construction (50 per cent), for upgradation of existing infrastructure (40 per cent) and for purchase of new instruments and equipment (10 per cent). Funds are released on instalment basis. The next instalment is released only when 75 per cent of the previous instalment amount is utilised.

Overall, there is an imbalance in terms of funding of state level HEIs by the central government where some states are more benefited by the grants than others due to ineligibility of many such institutions to receive grants from funding agencies of central government and colleges receive lesser funds than what they request for development purposes.

Intra - State Allocation of Resources

After receiving the requests for grants from state level universities and colleges, the committee for grants approval set up by the respective state government, approves the requests for the financial year. The amount of grants to be allocated to different institutions majorly depends on the availability of funds with the state education department and the immediate priorities for meeting the requirements of the expenses of the institutions. However, the initiatives and negotiation capacity of the leader of the institution also plays an important role in managing to get the requested budgetary amount and timely receipt of it for the institution. The allocation is line-item based and is made at two different levels. First, the public universities and colleges are allocated funds to meet the expenditures towards, salary of teaching and non-teaching staff, instruments, equipment, furniture and lab equipment, smart classes and day-to-day maintenance. Second, the private aided colleges receive grants-in-aid for salary of permanent teaching and non-teaching staff and for research purposes.

Since the amount allocated is based on the availability of funds with the state education department and exchequer, and based on the requirements or priorities to cover certain expenses than others (e.g. salary of regular employees), the amount allocated may or may not cover the total requirements of the institutions. In majority of instances, the regular maintenance expenses are cut from the allocated amount whenever there are insufficient funds with the state governments. This has long term implications in ensuring quality in higher education.

Intra - Institution Allocation of Resources

The allocation of funds between the departments within the university or college depends on the amount of funds received from the respective state education department or Directorate of Education for recurring expenses and from RUSA or other funding agencies for non-recurring or development expenses. In case of inadequate or insufficient resources, deficits can be experienced under all the three heads such as; salary, non-salary and capital head. Since the allocation of funds is line item based, deficits under one head can't be adjusted with the funds received under another head. Therefore, in case of deficits, the expenses under different levels are reprioritised wherever possible. The priority is decided by the concerned heads of the institution looking at the options, - which are negotiable and which are non-negotiable.

When there is a deficit under the capital head, certain activities are carried out on priority basis and a few activities planned under the head are postponed to the future till adequate fund is available for those activities. When there is a deficit under non-salary or project head, the respective institutions resort to cost saving or cost cutting measures. For example, repair and maintenance activities may be cut down or manage with less staff (or not appointing new staff) for several activities for certain period of time.

And finally, in case of deficits under salary head, which is an important non-negotiable head as salary needs to be paid to the regular teaching and non-teaching staff. This is the most difficult item for the respective institutional heads for making any adjustments. The expenditure under salary head is recurring and unavoidable. Experiencing deficits under this head many a times compel the institutions to pay the salaries of the regular staff of the institutions by making adjustments from the provident funds or by borrowing loans from the banks or go for overdrafts. However, there are instances in certain state level universities and colleges where the regular teaching and non- teaching staff receive their salary in three to nine months and that too paid gradually across several months.

Apart from the adjustments made to the budgetary heads in case of deficits, institutions explore alternative and innovative financing options to mobilise additional resources to meet the requirements of their day-to-day expenses of the institution. They are; cost saving or cost cutting measures, cost sharing measures and income generating activities. The Policy Brief 2 deals with these measures as explored by the higher education institutions.

Areas of Intervention

With the changing dynamics of resource allocation to public higher education institutions, new strategies need to be explored to facilitate targeted funding of resource deficient institutions. The following strategies may be considered to uplift the state level universities and colleges those are at the verge of deterioration.

- Per student expenditure varies across disciplines. Therefore, there should be well established and objectively verifiable criteria to allocate resources, e.g., student based or graduation based criteria etc. However, the job oriented disciplines such as medical, management, commerce, economics, life sciences, etc. can get private funding compared to disciplines such as history, philosophy, etc. Such conventional disciplines should continue to receive public funding.
- The colleges and universities basically serving the interior rural regions of the country are the most vulnerable and need public funding for revitalization. Such institutions may be targeted while allocating resources irrespective of the disciplines and courses offered by them.
- Targeted allocation of funds as per requirements to the higher education institutions serving students from poor social backgrounds, irrespective of location and disciplines/courses offered by them, to uplift their financial and academic status.
- Targeted allocation of funds as per requirements to the higher education institutions serving students from poor economic backgrounds, irrespective of location and disciplines/courses offered by them, to uplift their financial and academic status.

- Targeted allocation of funds as per requirements to the higher education institutions with all female students or majority of female students, irrespective of location and disciplines/courses offered by them, to uplift their financial and academic status.

- For effectiveness in resource allocation, a monitoring mechanism needs to be placed at state level for targeted allocation of resources to vulnerable higher education institutions, keeping into consideration the type of vulnerability such as, gender or social category or economic status. One student should be benefitted in terms of financial resources under one category only. The monitoring mechanism should also ensure efficient utilization of the allocated resources to the targeted higher education institutions without political and bureaucratic intervention.

- Ensuring equitable distribution of grants for research and innovation by multiple agencies across disciplines and institutions at centre and state level as per requirements with a project monitoring unit (PMU) in place by respective funding agencies for efficient utilisation of the allocated resources.

- Enhancing the effectiveness of RUSA funding by expanding its coverage (both for state universities and colleges) for small infrastructure (for IT & e-resources, labs, repair and maintenance expenses, etc.), books and journals (both online and offline, considering cost effectiveness), etc.

- Interlinking of departments under effective institutional leadership for efficient intra-institutional allocation of resources across disciplines and regular payment of salary for overall growth of the institutions.

Conclusion

There is a requirement of both macro as well as micro approach to tackle the problems associated with the institutions of higher learning at the state levels which caters to the major share of enrolments of the country. India being the second largest higher education system in the world having its own ranking framework, is at an important juncture where a serious policy action is needed to address the issues of vulnerable universities and colleges at the state level. These institutions of higher learning are also catering to the students from deprived sections of population from rural regions. But they are incapable to overcome the financial crunch and therefore are at the verge of deterioration. Otherwise, India would end up with two different categories of higher education institutions, one with the potential to uplift their ranking by virtue of their capacity to manage with alternative sources of funding and the other category particularly the institutions at state level struggling with deficits, shortages of teachers, non-academic staff, lack of infrastructure and inefficiencies and thereby ending up with poor quality education. There is the need of targeted funding of such institutions with a modified strategy of resource allocation.

This policy brief is prepared by ***Jinusha Panigrahi,*** Centre for Policy Research in Higher Education (CPRHE), National Institute of Educational Planning and Administration (NIEPA), New Delhi.

Policy Briefs 4 and 5 are primarily based on a large-scale CPRHE research study employing a questionnaire-based survey of students and faculty members, interviews with the administrative and academics heads of the colleges and universities, government higher education departments and State Higher Education Councils (SHECs), focus group discussions with students & faculty members in selected higher education institutions across five states, namely, Bihar, Odisha, Punjab, Telangana and Uttarakhand.

Resource Mobilisation Strategies by Higher Education Institutions in India

Introduction

The competing demand for public funds has resulted in an emphasis on the priority sectors including social sector such as health and education. And within education sector, school education has received more priority at the policy level for allocation of limited public resources compared to the higher education sector. This has led to such allocations of resources to higher education which are not commensurate with the growing social demand for higher and technical education. The impact of inadequate funding from central and state government has been experienced by public higher education institutions at different levels differently. The responses to decline in public funding varies across institutions with certain similarities common to all the institutions. When resources allocated to the public higher education institutions is inadequate, the diverse alternative and innovative financing options are explored by the institutions to mobilise additional resources to meet the rising day to day expenses.

This policy brief highlights several resource mobilisation strategies as explored by the public higher education institutions when they experience a paucity of the resources allocated by the funding bodies. And the required interventions to facilitate the higher education institutions to overcome the challenges in resource mobilisation keeping into consideration the concerns for access and quality.

Strategies for Resource Mobilisation

The policy orientation towards privatisation of public higher education institutions, with the introduction of several cost-sharing measures, has been the most practised method since the time of new economic reforms in the 1990s. Student fees and student loans are widely practised cost-sharing measures contributing to resource mobilisation for higher education. More recently, in the recent decades, the income or revenue generating models at the institutional level have been encouraged to complement the resource requirements of higher education institutions. While earlier education policies and programmes recommended for several cost sharing measures for resource mobilisation, the National Education Policy (NEP 2020) recommends an encouragement to philanthropic and alumni contributions to generate funds to meet the additional funding requirements of higher education institutions.

The several strategies for resource mobilisation adopted at the institution level are discussed in the following sections.

Cost saving or cost cutting measures

The limited resources available for day-to- day activities for developmental and maintenance purposes are shared by the departments. Such expenses are meant for conducting research, conferences, seminar, workshop, participation in such activities organised by other institutions at local, national and international level, etc. There is a variation in the amount shared by the departments as per their requirements and it also depends on the leadership of the respective departments. Excluding salary payment, the other benefits given to the employees of the universities and colleges such as, medical benefits, child education, insurance, LTC, etc., are either not given or are being reduced substantially over the years due to insufficient resources available for this purpose. With the incapacity to employ new teaching and non-teaching staff, institutions manage with temporary, guest, part-time, ad hoc and retired staff. Similarly, as cost cutting measure, the institutions opt for multitasking for teaching and non-teaching activities by managing with limited teaching and non-teaching staff that impacts the efficiency.

Cost Sharing Measures

Sharing of the cost of education with students by raising the fees of the existing courses or through the introduction of self-financing courses in public higher education institutions are two important measures in this regard.

The institutional costs on admission, examination, magazines, sports, library, laboratory, charges on water and electricity provided to hostels, etc., are recovered from the students to certain extent by the aided institutions. Few other fees such as examination and assignments fees and development fees to a certain extent contribute to the total resources of the HEIs with variations across the different types of universities. The private aided and autonomous colleges mobilise resources from development fee, sports fee, library fee, seminar fee for the courses offered in regular mode. The fees charged by central universities for technical and professional courses such as engineering, medical sciences, management studies, etc., are comparatively higher than general courses which adds to a certain extent in the resource requirements of these universities.

Cost-sharing, by offering self-financing courses in technical and professional streams, is the most popular method of resource mobilisation particularly by private-aided colleges. The central universities and state level universities and colleges have not yet successfully explored this option of resource mobilisation. Introduction of short-term courses and programmes to contribute to meet the resource requirements of the institution has been explored by certain institutions. However, courses offered through distance mode has contributed to a part of the resource requirements of many state level universities. Therefore, to pay the increasing fees in higher education institutions, education loan has become a popular cost sharing measure for financing technical and professional courses.

Income Generating Activities

With the limited scope for the cost-sharing measures, the central and state level universities resort to several income generating measures to meet their resource requirements due to the inadequate funding from the central and state government. The most popular income generating measures are renting out institutional infrastructure such as guest house, examination hall, seminar hall or multi-purpose hall, playground, auditorium, etc.; contribution from alumni, research and consultancy activities, university-industry linkages etc. Few universities and colleges rent out their available unused land for agricultural purposes like cultivation.

However, mobilisation of resources is found to be challenging and the challenges are different for different institutions in Indian context.

Challenges to Mobilise Resources

Catering to the majority of enrolments from poor social and economic background of the concerned region, any attempt by the state universities to increase fees of the courses offered in non-self-financing mode has faced strikes and protests from the student community. Due to lack of infrastructure, many universities and colleges are able to offer courses under self-financing mode in limited numbers. With the lack of new appointments under sanctioned positions, the academic staffs are overburdened with lectures while managing between self-financing and non-self-financing mode of lectures in every semester/year. Quality is a concern for certain institutions when some lectures are managed by temporary teachers without desired qualifications and inadequate remunerations.

Mobilisation of resources is challenging and the challenges are different for different institutions. The central level institutions are better placed in this regard needing little more efforts to explore alternative measures to mobilise resources rather than relying only on government sources. While state level universities face difficulties in generating income by raising fees and renting out infrastructure facilities due to inadequate or improper (bad conditions) infrastructure facilities, the government colleges at the state level find it difficult to get engaged in research projects or consultancy activities along with inadequate infrastructure facilities to generate income. With all the efforts to mobilise resources through different sources, the institutions particularly the central universities are unable to utilise them for development purposes as the additional mobilised amount is adjusted with the maintenance grants, they receive from the funding bodies in the next financial year.

Areas of Intervention

Resource starved institutions require public financial support to come out of the deteriorating conditions to cope up with the rising enrolments and enhancing their standards to be able to manage on their own for the day-to-day functioning. The necessary interventions are as follows:

- Targeted funding of state universities and colleges to uplift their potential to meet the basic infrastructure requirements and gradually being capable to mobilise resources through various means.
- Advocacy and consultations by higher education departments or respective state higher education councils (SHECs) to spread awareness among the resource deficient institutions to understand different ways and means to mobilise additional resources and developing administrative capacity/skills of the leadership to be capable to mobilise resources from alternative means in innovative ways.
- Incentivising (by retaining a certain share for development purposes) institutions and departments who are capable to generate additional resources through several means rather than relying only on the student fees.
- Interlinking of departments within the institutions to strategise several ways for resource generation in a multi-disciplinary set up.
- Strategising multiple options for collaborations between the higher education institutions in different locality to pool together the infrastructure facilities (existing or new created under RUSA) and utilise and maintain them collectively and efficiently.
- Encouraging philanthropic contributions from institution alumni, local-area development funds, MP/MLA funds and establishment of alumni or local area associations by the institutions and facilitating regular meetings of such associations. Some of these measures are also suggested by NEP 2020 and widely used by the institutions in developed and certain developing countries for mobilisation of resources.
- Encouraging and facilitating academia and industry linkages by taking advantage of location of the institution near to the industries or companies.
- Promoting innovations, research and consultancy activities and short-term courses to generate resources for development purposes and enhancement of quality.
- Filling up of vacant teaching and non-teaching positions and skill-based training of teachers and administrators would help implement best practices to generate resources without impacting access of students from vulnerable sections of the society.
- Timely payment of salary to the institutional teaching and non-teaching staff and remunerations as per the rules to all to enhance efficiency and quality therein. In return, the institutions must get engaged with social development research and extension or outreach activities to connect with the society at local level.
- Giving more autonomy to the institutions in day-to-day functioning without bureaucratic intervention.

Conclusion

The need of the hour in the era of technology, innovations and knowledge economy is gradual reduction and elimination of horizontal and vertical inequality between the higher education institutions in India. This is possible with concerted efforts and pragmatic approach by policy makers, higher education departments, directorate of colleges and educational practitioners at the centre and state levels taking into account the ground realities and practices. A targeted allocation of grants, both recurring and development grants, to vulnerable universities and colleges at least for few years and thereafter equal allocation of grants to similar kind of institutions as per their budgeted expenditure would be able to meet the objective to a greater extent. The bottom-up approach would help resource starve higher education institutions particularly at the state level to uplift their financial conditions to enhance quality of education.

Resource mobilisation would not be the only solution to meet the rising expenses of the higher education institutions due to the growing social demand, addressing equity concerns, emphasis on quality enhancement, employability and relevant research in higher education. It is rather important to ensure efficient utilisation of allocated and mobilised resources by the higher education institutions to adjust the gaps and increasing cost of higher education. adjust the gaps and increasing cost of higher education

Example of Good Practices: Innovative Strategy for Resource Mobilisation

The case study institutions made conscious efforts by implementing innovative strategies to mobilise resources to overcome financial deficits:

- There are restrictions by the Hill Development Authority in the expansion of the institutional infrastructure due to the location of the institution in the hilly region. Therefore, 'contract farming' is found to be one significant contributor as a source of income generation to this institution located in hilly region.
- Efforts for 'University-Industry linkages' are made by a case study institution. The Institution have linkages to nearby industrial city which results in students having blue collar jobs and other low paid jobs for semi-skilled individuals after getting their degree to get engaged with the industry.

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Policy Brief 1

Equalising Access to Higher Education in India

(Nidhi S. Sabharwal and C. M. Malish, 2017)

Policy Brief 2

Achieving Academic Integration in Higher Education in India

(Nidhi S. Sabharwal and C. M. Malish, 2017)

Policy Brief 3

Developing Socially Inclusive Higher Education Campuses in India

(Nidhi S. Sabharwal and C. M. Malish, 2017)

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